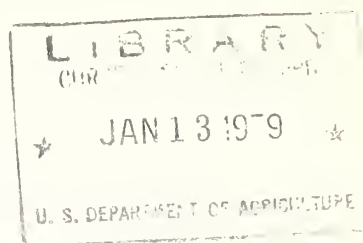


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MARKETING RESEARCH REPORT NO. 291



food marketing companies

DIVERSIFICATION AND STRUCTURE



- U. S. DEPARTMENT OF AGRICULTURE
- AGRICULTURAL MARKETING SERVICE
- MARKETING RESEARCH DIVISION • WASHINGTON, D.C.

Bright, Imogene, 1922—

Food marketing companies; diversification and structure.
Washington, U. S. Dept. of Agriculture, Agricultural
Marketing Service, Marketing Research Division (1958,

28 p. tables. 27 cm. (U. S. Dept. of Agriculture, Marketing
research report no. 291)

1. Food industry and trade—U. S.—Stat.,	I. Title.	(Series)
HD1751.A9183 no. 291	658.9414	Agr 58-362

U. S. Dept. of Agr. Libr.
for Library of Congress

1Ag84Mr no. 291
†

FOREWORD

This report is based on data for 1954 made available for the first time from the Bureau of the Census and recently released through its Company Statistics Program. These data deal with the organizational unit of "companies," as contrasted with data available for many years on "establishments" (an establishment is a unit or plant located at one physical spot). These new data have permitted different kinds of analyses and comparisons from those possible at any previous time or for any earlier period. As presently planned, comparable data will next be available from the censuses of manufactures and business to be conducted in 1959 and to be published some years thereafter.

Part of the data presented here, but dealing with all industries, not solely food processing and trade industries, are available in "Company Statistics," published by the Government Printing Office in 1958. Floyd D. McNaughton, Louis Greenberg, and Irving Rottenberg of the Bureau of the Census assisted in making unpublished material available.

This report is part of a broad program of continuing research designed to reduce the cost of marketing farm products.

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December 1958

FOOD MARKETING COMPANIES

Diversification and Structure

By Imogene Bright, agricultural economist
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SUMMARY

Companies which owned more than one establishment, or multiunit companies, made up about 2 percent of all companies engaged in food marketing in 1954. Companies studied included those processing, assembling, and distributing food products but not transporting them. However, they employed 43 percent of the persons engaged in food marketing and accounted for 52 percent of industry payroll. Differences among the 13 major food processing and trade industries were marked. For example, multiunit companies engaged in processing meat products accounted for about 3 percent of all companies in this industry, but they accounted for almost 80 percent of industry employment and payroll.

A second aspect of structure examined here is the degree to which a company classified in one industry owns establishments which operate in other industries. Most multiunit companies engaged in food marketing are single-industry companies--that is, companies which own establishments all of which are classified in the same industry. However, a small but significant number of multiunit companies are multi-industry--or those some of whose establishments are engaged in activities different from that of the parent company. Companies having establishments engaged in more than one industry were more common in the processing industries than in trade.

Multi-industry companies constituted only 0.2 percent of the companies engaged in food processing and trade operations in 1954. Nevertheless, these companies had 30 percent of the total of employees in all processing and marketing companies and had payrolls of 38 percent of the total for all food processing and trade companies. About 77 percent of the multi-industry companies were engaged in 2 industries; and 23 percent were engaged in 3 or more industries.

To measure the degree to which these companies were diversified, three measures have been used: Employment, value added by manufacture, ^{1/} and capital expenditures. Four processing industries of the 8 studied had more than 10 percent of company employment in establishments engaged in a different industry from the parent company. The average for the 8 industry groups was 10 percent--compared with an average of 18 percent for all manufacturing industries, including both food and nonfood industries. By contrast, the assembly and trade industries had 3 percent of company employment in establishments classified in different industry groups from the parent company--compared with 3 percent for all trade industries, including nonfood as well as food trade.

Because of the data available, only in processing industries could diversification be measured in terms of value added and capital expenditures. For all food-processing industries, 8 percent of value added came from establishments classified in a different industry group from that in which the parent company was classified. In specific industry groups, this percentage ranged from 2 to 18 percent. Ten percent of capital expenditures by all food-processing companies came from establishments in industries other than the one in which the parent company was classified. For specific industry groups, this ranged from 3 to 24 percent.

Structural aspects of the food marketing industry are important in problems concerning concentration and control, diversification, and integration. Ownership and diversification patterns suggest areas for further research dealing with marketing efficiency, utilization of resources, brand labeling, and market control.

INTRODUCTION

Two areas of information about the structure of the food marketing industry have received little attention from economists, because data which would permit attention to such factors have been lacking. These two areas are (1) the ownership pattern of companies in terms of the number of establishments owned, and (2) diversification--the degree to which establishments are engaged in activities which differ from those of the parent company. The purpose of this study is to examine both aspects of structure of the food marketing industry. This study has been made possible by the availability, for the first time, from the Bureau of the Census, of statistics pertaining to companies as contrasted with establishment data which have been available for many years. ^{2/}

^{1/} Value added by manufacture is obtained by subtracting the cost of materials, supplies, containers, fuel, purchased electric energy, and contract work from the value of shipments of manufacturing establishments. It avoids, therefore, the duplication in data on value of shipments which results from the use of products of some establishments as materials by others. This concept is used in this report because it is the form in which the data have been released by the Bureau of the Census.

^{2/} Bureau of the Census. Company Statistics. 1958.

The pattern of ownership of establishments is important from the standpoint of concentration of control. If one company is made up of many establishments, the influence of company policy in both the buying and selling markets may be more far-reaching than if the company is made up of only one unit or establishment. In addition to number of establishments owned by companies, a question arises as to the activities of these establishments.

From lack of knowledge, an assumption frequently has been made that all establishments owned by a company are engaged in the same industry; that is, that all establishments or plants are producing the same products or rendering the same service. This study of the structural aspects of the food marketing industry explores the validity of this idea.

Some diversification of marketing companies arises because different plants of a given company are engaged in the processing of different products. Another type of diversification arises when a given plant of a company processes more than one product. This second type of diversification is not considered in this report although, as table 1 shows, the output of such secondary products of establishments accounts for some part of the output of each industry considered except the sugar industry.

Table 1.--Value of primary product as percentage of total value of shipments by establishments in various food-processing industries, 1954 ^{1/}

Primary product	Percentage of total value of shipments	Primary product	Percentage of total value of shipments
	Percent		Percent
Meat products.....	98	Sugar.....	100
Dairy products.....	99	Miscellaneous	
Canned and frozen		food prepara-	
food.....	95	tion.....	83-96
Grain mill products...	94	Vegetable and	
Bakery products.....	99	animal oils...	91

^{1/} Value of shipments is the received or receivable net selling value, f.o.b. plant, after discounts and allowances, and excluding freight charges and excise taxes.

Structural aspects of food marketing companies may have a significant bearing on channels through which farm products are sold and on the costs of marketing. These forces, in turn, may affect incomes of farmers from marketing. Diversification may necessitate changes in size and in capital sources, product differentiation, and other adjustments by marketing companies if they are to operate efficiently, and these adjustments may have a further influence on markets in which farmers sell.

DESCRIPTION OF COMPANIES INCLUDED IN STUDY

Each management unit comprising a company was identified as a company regardless of whether it was a partnership, sole proprietorship, or corporation. It was then possible to determine for each company (1) the number of establishments which each company owned and (2) whether these establishments in each case were engaged in the same or a different activity from that in which the parent company was engaged. These data are an addition to the information dealing only with establishments which the Bureau of the Census has published for many years.

An establishment is defined as a unit or plant located at one physical spot; in addition, if a manufacturing company is engaged in distinctly different lines of activity at one location, it reports each of these activities separately if establishment records permit such a separation and if the activities are substantial in size. In 1954 census reports were required from all establishments employing one or more persons at any time during the year; data for other establishments were derived from Internal Revenue Service records.

Establishments included in the census are classified as to industry or kind of business on the basis of the major activity or the principal products produced, merchandise lines handled, or services rendered. On the other hand, companies--which are composed of one or more establishments under common ownership or control--have been classified by the Bureau of the Census into 122 industry groups. These industry classifications were relatively broad. The 122 different industry groups set up by the Bureau of the Census covered all types of industrial activity, including manufacturing, mining, merchandising, and selected service trades. ^{3/} For this report 13 of these, representing all major agricultural processing, distributing, and assembling operations, were considered in detail. These groups included all companies classified as primarily engaged in the manufacture or processing of meat, dairy products, canned and frozen food, grain mill products, bakery products, sugar, miscellaneous food products not elsewhere classified, and vegetable and animal oils. Also included were companies classified as food product wholesalers, grocery stores, food stores except grocery stores, eating and drinking places and assemblers of farm products.

Certain characteristics of company data should be emphasized. Data for companies include all activities of these companies. For example, a company classified by the Bureau of the Census as being in the meatpacking industry because most of its establishments are engaged primarily in meatpacking may own an establishment which produces vacuum cleaners. Employment data for this company include employees in all establishments owned or controlled by the parent company, including, of course, the one which manufactures vacuum cleaners. A similar situation applies to payroll data. However, the data pertaining to value added as shown for the company include mining and manufacturing establishments of the company but not its wholesale, retail or service establishments.

^{3/} See list of the 122 industries at end of this report.

On the other hand, in the tables dealing with establishment data, all establishments engaged primarily in the specified processing and marketing activities have been included regardless of the industry classification of the company which owned them.

These two universes--on the one hand, the companies which are engaged in food marketing and the establishments which they own, and on the other hand, the total number of establishments engaged in food marketing, regardless of the company which owned them--are presented here in an analysis of industry structure.

The 13 industry groups included a total of 721,702 companies (table 2). Of these, 707,111 were single units, or companies consisting of one establishment only. The remaining 14,591 were multiunit companies, or those comprising more than one establishment. With one exception, the same pattern prevailed in each of the industry groups: At least 92 percent of all companies were single-unit companies. Of the multiunit companies, 13,396 had establishments in one industry only--that in which the parent company was classified--and 1,195 had establishments in more than one industry.

The 721,702 companies owned a total of 787,166 establishments, some of which were in the same industry group as the parent company, whereas others were in different industry groups (table 3).

In total, the 721,702 companies included in this study, all of which were classified as primarily engaged in processing and distributing farm food products, employed a total of 4,493,730 persons. Of these, slightly over 50 percent were employed in single-unit companies. Of those in multiunit companies, about 70 percent were employed by companies having establishments in more than one industry (table 4).

Payroll of the companies engaged in marketing farm food products was also used as a measure of the size and structure of these industries. The 13 groups considered had a total payroll of about \$13 billion for 1954. For the companies having single establishments only, payroll totaled about \$6.2 billion; for companies having more than one establishment, a total of about \$6.7 billion. For those companies having more than one establishment, all of which were in only one industry, there was a payroll figure of \$1.8 billion as contrasted with \$5.0 billion for companies having establishments in more than one industry (table 5).

Table 2.--Number and percentage of single-unit, multiunit, single-industry, and multi-industry companies, 1954

Industry group	Companies ^{1/}				
	Total	Single unit	Multiunit		
			Total	One industry	Multi-industry
	Number	Number	Number	Number	Number
Food marketing ^{2/}	721,702	707,111	14,591	13,396	1,195
Processing:					
Meatpacking.....	2,192	2,125	67	30	37
Dairy products.....	10,026	9,724	302	150	152
Canned and frozen food.....	2,876	2,695	181	115	66
Grain mill products.....	2,798	2,637	161	92	69
Bakery products.....	5,623	5,440	183	116	67
Sugar.....	65	47	18	7	11
Other food products ^{2/}	6,880	6,596	284	192	92
Vegetable and animal oils.....	667	614	53	34	19
Trade:					
Food products wholesalers.....	27,345	26,520	825	665	160
Grocery stores.....	255,774	251,813	3,961	3,742	219
Food stores except grocery stores.....	93,245	91,214	2,031	1,969	62
Eating and drinking places.....	304,839	299,049	5,790	5,616	174
Assemblers of farm products.....	9,372	8,637	735	668	67
	Percent	Percent	Percent	Percent	Percent
Food marketing ^{3/}	100	98.0	2.0	1.8	0.2
Processing:					
Meatpacking.....	100	96.9	3.1	1.4	1.7
Dairy products.....	100	97.0	3.0	1.5	1.5
Canned and frozen food.....	100	93.7	6.3	4.0	2.3
Grain mill products.....	100	94.2	5.8	3.3	2.5
Bakery products.....	100	96.7	3.3	2.1	1.2
Sugar.....	100	72.3	27.7	10.8	16.9
Other food products ^{2/}	100	95.9	4.1	2.8	1.3
Vegetable and animal oils.....	100	92.1	7.9	5.1	2.8
Trade:					
Food products wholesalers.....	100	97.0	3.0	2.4	.6
Grocery stores.....	100	98.5	1.5	1.4	.1
Food stores except grocery stores.....	100	97.8	2.2	2.1	.1
Eating and drinking places.....	100	98.1	1.9	1.8	.1
Assemblers of farm products.....	100	92.2	7.8	7.1	.7

^{1/} Includes sales branches and sales offices.

^{2/} Includes prepared meats and poultry dressing.

^{3/} Excludes transportation.

Bureau of the Census.

Table 3.--Number of companies, establishments owned by them, and diversification of establishments owned, 1954

Industry group of company	Total companies	Establishments owned by companies--			
		Total	In same industry		In different industry
			Operating company	Central administrative offices, etc.	
	Number	Number	Number	Number	Number
Food marketing 1/.....	721,702	787,166	768,088	6,654	12,424
Processing:					
Meatpacking.....	2,192	3,862	2,328	747	787
Dairy products.....	10,026	14,012	11,173	1,527	1,312
Canned and frozen food.....	2,876	3,842	3,369	339	134
Grain mill products.....	2,798	5,570	3,203	470	1,897
Bakery products.....	5,623	8,492	6,225	996	1,271
Sugar.....	65	240	136	43	61
Other food products 2/.....	6,880	9,299	7,671	892	736
Vegetable and animal oils.....	667	1,060	832	35	193
Trade:					
Food products wholesalers.....	27,345	30,043	29,269	62	712
Grocery stores.....	255,774	281,259	278,040	1,142	2,077
Food stores except grocery stores.....	93,245	98,681	98,135	65	481
Eating and drinking places.....	304,839	318,776	316,309	240	2,227
Assemblers of farm products.....	9,372	12,030	11,398	96	536

1/ Excludes transportation.

2/ Includes prepared meats and poultry dressing.

Bureau of the Census.

Table 4.--Company employment by industry group in which company is classified, 1954

Industry group	Persons employed 1/				
	Total	In single- unit companies	In multiunit companies		
			Total	Single industry	Multi- industry
	Number	Number	Number	Number	Number
Food marketing 2/.....	4,493,730	3/ 2,456,625	3/ 1,794,463	3/ 562,055	1,334,611
Processing:					
Meatpacking.....	303,143	67,461	235,682	9,684	225,998
Dairy products.....	329,720	146,111	183,609	21,024	162,585
Canned and frozen food.....	208,000	90,036	117,964	40,534	77,430
Grain mill products.....	137,148	43,058	94,090	16,836	77,254
Bakery products.....	308,164	118,151	190,013	65,083	124,930
Sugar.....	33,856	4,252	29,604	10,819	18,785
Other food products 4/.....	242,642	3/	3/	3/	102,203
Vegetable and animal oils...	37,879	14,102	23,777	6,231	17,546
Trade:					
Food products wholesalers...	307,804	230,525	77,279	33,544	43,735
Grocery stores.....	909,413	371,070	538,343	149,086	389,257
Food stores except grocery stores.....	199,188	158,742	40,446	32,469	7,977
Eating and drinking places..	1,356,216	1,117,192	239,024	161,006	78,018
Assemblers of farm products:	120,557	95,925	24,632	15,739	8,893

1/ Includes employment in sales branches, sales offices, central administrative offices, and auxiliaries.

2/ Excludes transportation.

3/ Excludes other food products to avoid disclosing figures of an individual company.

4/ Includes prepared meats and poultry dressing.

Bureau of the Census.

Table 5.--Company payroll by industry group in which company is classified, 1954

Industry group of company:	Total	In single unit companies	In multiunit companies		
			Total	Single industry	Multi-industry
	dollars	dollars	dollars	dollars	dollars
Food marketing 1/.....	13,071,032	3/ 6,240,232	3/ 6,697,449	3/ 1,757,920	3/ 4,939,529
Processing:					
Meatpacking.....	1,268,271	270,474	997,797	41,876	955,921
Dairy products.....	1,305,887	521,719	784,168	85,265	698,903
Canned and frozen food..	633,449	230,236	403,213	125,385	277,828
Grain mill products.....	555,307	152,533	402,774	65,974	336,800
Bakery products.....	1,204,058	408,062	795,996	276,487	519,509
Sugar.....	133,351	3/ 349,641	3/ 530,991	3/ 124,584	3/ 406,407
Other food products 2/..	880,632				
Vegetable and animal oils.....	152,601	52,555	100,046	24,829	75,217
Trade:					
Food products whole-					
salers.....	1,114,229	817,354	296,875	131,439	165,436
Grocery stores.....	2,487,487	812,373	1,675,114	405,748	1,269,366
Food stores except grocery stores.....	470,385	365,484	104,901	83,863	21,038
Eating and drinking places.....	2,543,739	2,025,737	518,002	339,766	178,236
Assemblers of farm products.....	321,636	234,064	87,572	52,704	34,868

1/ Excludes transportation.

2/ Includes prepared meats and poultry dressing.

3/ Excludes sugar to avoid disclosing figures for an individual company.
Bureau of the Census.

DESCRIPTION OF ESTABLISHMENTS INCLUDED IN STUDY

A total of 779,958 establishments were included in this study, of which 707,111 were single establishments, in which the establishment and the company represented the same entity, and 72,847 were parts of multiunit companies (table 6). Those which were parts of multiunit companies were classified into two groups: (1) One group in which all establishments of a company were in the same industry, or single-industry establishments, of which there were 41,006, and (2) multi-industry establishments (parts of multi-industry companies) of which there were 31,841. These two groups were formed initially without regard to the industry classification of the parent or owning company.

All the establishments classified in the 13 industries considered, disregarding the classification of the owning company, employed 4,209,444 persons. Of these 4,027,618 employees were in establishments classified in the same industry as the owning company; 181,822 employees were in establishments owned by companies primarily classified in a different industry (table 7).

DEGREE OF DIVERSIFICATION

The degree to which an industry is diversified may be viewed in two ways: (1) The degree to which a company owns establishments primarily classified in industries other than that of the parent company, and (2) the degree to which establishments are owned by companies which are classified in a different industry. This consideration of diversification does not measure the degree of diversification arising from secondary products within establishments and therefore represents a minimum measure of diversification. Other data indicate that for the industries considered, with one exception, 90 percent of the value of shipments by establishments was made up of the primary product.

Company Diversification

When measuring diversification of activities, it is most appropriate to consider each of the industry groups separately. For example, all companies primarily engaged in meatpacking employed 303,143 employees; of these, 254,507 were employed in establishments classified in the same industry, 48,636 employees were working in establishments primarily classified in other industries (table 8). In this instance, 73 different industries out of approximately 1,000 possible classifications were represented. ^{4/} Of the 8 processing industries studied, 4 had more than 10 percent of company employment in establishments owned by the company but classified in a different industry group from the parent company. The average for the 8 industry

^{4/} The 1,000 industry classifications are the detailed classifications used for establishments in the 1954 Censuses of Business, Manufactures, and Mineral Industries.

Table 6.--Total number of establishments by industry group in which establishment is classified, 1954

Industry group	Total	Single establishments	Parts of multiunit companies		
			Total	Single industry establishments	Multi-industry establishments
	Number	Number	Number	Number	Number
Food marketing <u>1/</u>	779,958	707,111	72,847	41,006	31,841
Processing:					
Meatpacking.....	2,367	2,125	242	58	184
Dairy products.....	11,503	9,724	1,779	362	1,417
Canned and frozen food.....	3,513	2,695	818	352	466
Grain mill products.....	3,352	2,637	715	252	463
Bakery products.....	6,414	5,440	974	406	568
Sugar.....	137	47	90	37	53
Other food products <u>2/</u>	8,214	6,596	1,618	582	1,036
Vegetable and animal oils.....	1,013	614	399	134	265
Trade:					
Food products wholesalers.....	29,795	26,520	3,275	1,806	1,469
Grocery stores.....	279,440	251,813	27,627	11,711	15,916
Food stores except grocery stores..	101,940	91,214	10,726	6,862	3,864
Eating and drinking places.....	319,015	299,049	19,966	16,191	3,775
Assemblers of farm products.....	13,255	8,637	4,618	2,253	2,365

1/ Excludes transportation.

2/ Includes prepared meats and poultry dressing.

Bureau of the Census.

Table 7.--Amount and percentage of employment in all establishments, in establishments owned by companies in same industry group, and in establishments owned by companies in different industry groups, 1954 ^{1/}

Industry group	Total employees	In same industry group as parent company	In different industry group from parent company
	<u>Number</u>	<u>Number</u>	<u>Number</u>
Food marketing ^{2/}	4,209,440	4,027,618	181,822
Processing:			
Meatpacking.....	220,194	217,788	2,406
Dairy products.....	283,428	270,143	13,285
Canned and frozen food.....	199,235	184,479	14,756
Grain mill products.....	109,942	98,997	10,945
Bakery products.....	291,100	269,790	21,310
Sugar.....	30,165	29,907	258
Other food products ^{3/}	229,901	188,653	41,248
Vegetable and animal oils..	39,961	28,539	11,422
Trade:			
Food products wholesalers..	302,840	294,431	8,409
Grocery stores.....	811,018	797,789	13,229
Food stores except grocery : stores.....	214,831	194,698	20,133
Eating and drinking places..	1,352,828	1,336,862	15,966
Assemblers of farm products:	123,997	115,542	8,455
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Food marketing ^{2/}	100	96	4
Processing:			
Meatpacking.....	100	99	1
Dairy products.....	100	95	5
Canned and frozen food.....	100	93	7
Grain mill products.....	100	90	10
Bakery products.....	100	93	7
Sugar.....	100	99	1
Other food products ^{3/}	100	82	18
Vegetable and animal oils..	100	71	29
Trade:			
Food products wholesalers..	100	97	3
Grocery stores.....	100	98	2
Food stores except grocery : stores.....	100	91	9
Eating and drinking places..	100	99	1
Assemblers of farm products:	100	93	7

^{1/} Does not include sales branches, sales offices, central administrative offices, and auxiliaries.

^{2/} Excludes transportation.

^{3/} Includes prepared meats and poultry dressing.

Bureau of the Census.

Table 8.--Amount and percentage of employment in all companies, in establishments of same industry group, and in establishments of a different industry group, 1954

Industry group of company	Total employees	Company employment in establishments of-- 1/		
		Same industry group		Different industry group
		Employees	Employees	Industry groups 2/
	Number	Number	Number	Number
Food marketing 3/.....	4,493,730	4,263,236	230,494	---
Processing:				
Meatpacking.....	303,143	254,507	48,636	73
Dairy products.....	329,720	305,580	24,140	56
Canned and frozen food.....	208,000	199,303	8,697	39
Grain mill products.....	137,148	117,137	20,011	65
Bakery products.....	308,164	291,739	16,425	33
Sugar.....	33,856	32,293	1,563	17
Other food products 4/.....	242,642	210,251	32,391	90
Vegetable and animal oils.....	37,879	30,863	7,016	25
Trade:				
Food products wholesalers.....	307,804	296,000	11,804	86
Grocery stores.....	909,413	870,173	39,240	104
Food stores except grocery stores.....	199,188	195,965	3,223	23
Eating and drinking places...	1,356,216	1,342,407	13,809	75
Assemblers of farm products..	120,557	117,018	3,539	44
	Percent	Percent	Percent	
Food marketing 3/.....	100	95	5	
Processing:				
Meatpacking.....	100	84	16	
Dairy products.....	100	93	7	
Canned and frozen food.....	100	96	4	
Grain mill products.....	100	85	15	
Bakery products.....	100	95	5	
Sugar.....	100	95	5	
Other food products 4/.....	100	87	13	
Vegetable and animal oils.....	100	81	19	
Trade:				
Food products wholesalers.....	100	96	4	
Grocery stores.....	100	96	4	
Food stores except grocery stores.....	100	98	2	
Eating and drinking places..	100	99	1	
Assemblers of farm products..	100	97	3	

1/ Columns 1 and 2 include employment in sales branches and sales offices and central administrative offices and auxiliaries.

2/ The greatest possible number of different industries was 1,000. This grouping is the detailed classification used for establishments in the 1954 Censuses of Business, Manufactures, and Mineral Industries.

3/ Excludes transportation.

4/ Includes prepared meats and poultry dressing.

Bureau of the Census.

groups was 10 percent. This compares with an average of 18 percent for all manufacturing industries. By contrast, the assembly and distributive industries had 3 percent of company employment in establishments classified in different industry groups from the parent company, compared with 3 percent for all trade industries, including nonfood as well as food trade.

For the companies engaged in processing, two other measurements of diversification were considered: Value added and capital expenditures. Each industry has been considered separately. Value added by all companies in meatpacking was \$1.6 billion in 1954; value added by establishments owned by companies which were also classified as meatpackers totaled \$1.3 billion; and about \$308 million or 18 percent of all value added came from processing establishments which, although owned by meatpacking companies, were classified as other than meatpacking establishments (table 9).

Total capital expenditures by meatpacking companies in 1954 were \$83 million--\$63 million by processing establishments in the meatpacking industry and \$20 million by establishments in other industries (table 10). In 3 industry groups out of the 8 for which such an analysis was possible, over 10 percent of company capital expenditures was made in establishments in a different industry group from that of the parent company.

Multiunit Companies

Of the 721,702 companies considered in this study, 707,111 were single units, or companies in which the establishment and the company represented the same entity. On the other hand, 14,591 were companies which owned more than one establishment and could therefore operate in more than one industry. In fact, only 1,195 were companies which were engaged in more than one industry. An analysis was made to determine in how many different industry groups these companies had establishments (table 11). Diversification was more important in the processing industries than in the trade industries. At least 80 percent of all the multiunit trade companies were engaged in trade only. By contrast, only 45 percent of the multiunit meatpacking companies had establishments which were classified solely in that industry; 39 percent of the sugar companies and between 50 and 68 percent of the companies classified in other processing industries were engaged in only the one activity.

Multi-industry Companies

Out of a total of 721,702 food marketing companies, 1,195 companies not only owned more than one establishment but also had establishments in more than one industry group. In terms of companies this represents a relatively small proportion of most industries, usually 1 or 2 percent of all companies, with some notable exceptions such as the processing of sugar products and miscellaneous food products (table 2). In trade, the multi-industry companies represent less than 0.5 percent of the industry total.

Table 9.--Amount and percentage of value added by companies and by processing establishments in same industry group and in different industry group, 1954 1/ 2/

Industry group	Value added by--		
	Company	Company's establishments in--	
		Same industry group	Different industry group
	1,000 dollars	1,000 dollars	1,000 dollars
Food processing.....	10,824,613	9,912,049	912,564
Meatpacking.....	1,677,291	1,368,759	308,532
Dairy products.....	2,220,719	2,129,378	91,341
Canned and frozen food.....	1,268,006	1,189,198	78,808
Grain mill products.....	1,158,165	1,068,887	89,278
Bakery products.....	1,875,772	1,831,621	44,151
Sugar.....	254,531	249,680	4,851
Other food products 3/.....	2,046,796	1,781,448	265,348
Vegetable and animal oils.....	323,333	293,078	30,255
	Percent	Percent	Percent
Food processing.....	100	92	8
Meatpacking.....	100	82	18
Dairy products.....	100	96	4
Canned and frozen food.....	100	94	6
Grain mill products.....	100	92	8
Bakery products.....	100	98	2
Sugar.....	100	98	2
Other food products 3/.....	100	87	13
Vegetable and animal oils.....	100	91	9

1/ Value added by manufacture is obtained by subtracting the cost of materials, supplies, containers, fuel, purchased electric energy, and contract work from the value of shipments of manufacturing establishments. It avoids, therefore, the duplication in data on value of shipments which results from the use of products of some establishments as materials by others. This concept is used in this report because it is the form in which the data have been released by the Bureau of the Census.

2/ Wholesale, retail, and service establishments were not requested to report value added; therefore, any company having establishments in those industries may have had unreported amounts.

3/ Includes prepared meats and poultry dressing.

Bureau of the Census.

Table 10.--Amount and percentage of capital expenditures by companies and by processing establishments in same industry and in different industry group, 1954 ^{1/}

Industry group	Capital expenditures by--		
	Company	Company's establishments in--	
		Same industry group	Different industry group
	1,000	1,000	1,000
	dollars	dollars	dollars
Food processing.....	636,133	572,263	63,870
Meatpacking.....	83,552	63,550	20,002
Dairy products.....	161,967	156,521	5,446
Canned and frozen food.....	76,135	70,168	5,967
Grain mill products.....	68,942	59,697	9,245
Bakery products.....	86,601	83,622	2,979
Sugar.....	20,868	18,982	1,886
Other food products ^{2/}	107,661	90,950	16,711
Vegetable and animal oils.....	30,407	28,773	1,634
	Percent	Percent	Percent
Food processing.....	100	90	10
Meatpacking.....	100	76	24
Dairy products.....	100	97	3
Canned and frozen food.....	100	92	8
Grain mill products.....	100	87	13
Bakery products.....	100	97	3
Sugar.....	100	91	9
Other food products ^{2/}	100	84	16
Vegetable and animal oils.....	100	95	5

^{1/} Wholesale, retail and service establishments were not requested to report capital expenditures; therefore, any company having establishments in those industries may have had unreported amounts.

^{2/} Includes prepared meats and poultry dressing.

Bureau of the Census.

Table 11.--Multinuit companies: Number and percentage of industries shown by industry group of company, 1954

Industry group	Multinuit companies															
	Engaged in following number of industries															
	Total	1	2	3	4	5	6	7	8	9	10 or more	Number	Percent	Number	Percent	Number
	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Percent	Number	Percent	Number
	14,591	13,396	918	135	61	27	10	8	7	4	23	2	Percent	23	Percent	2
Food marketing 1/.....	67	30	25	5	1	1	---	---	---	---	1	4	---	---	---	---
Processing:																
Meatpacking.....	302	150	109	19	10	3	---	---	---	---	1	6	---	---	---	---
Dairy products.....	181	115	47	10	5	1	---	---	---	---	1	1	---	---	---	---
Canned and frozen food.....	161	92	46	5	5	1	4	---	4	1	2	1	---	---	---	---
Grain mill products.....	183	116	51	10	3	1	1	---	---	---	1	---	---	---	---	---
Bakery products.....	18	7	5	2	4	---	---	---	---	---	---	---	---	---	---	---
Sugar.....	284	192	62	17	2	6	1	---	---	1	3	---	---	---	---	---
Other food products 2/.....	53	34	12	2	2	1	---	---	---	---	1	---	---	---	---	---
Vegetable and animal oils.....																
Trade:																
Food products wholesalers.....	825	665	119	24	10	5	1	---	---	---	1	---	---	---	---	---
Grocery stores.....	3,961	3,742	172	22	12	4	2	---	2	---	3	---	---	---	---	---
Food stores except grocery stores.....	2,031	1,969	60	2	---	---	---	---	---	---	---	---	---	---	---	---
Eating and drinking places:	5,790	5,616	152	11	6	2	1	---	1	---	1	---	---	---	---	---
Assemblers of farm products.....	735	668	58	6	1	2	---	---	---	---	---	---	---	---	---	---
Food marketing 1/.....	100	92	6	1	3/	3/	3/	3/	3/	3/	3/	3/	3/	3/	3/	3/
Processing:																
Meatpacking.....	100	45	38	8	1	1	---	---	---	---	1	6	---	---	---	---
Dairy products.....	100	50	36	7	3	1	---	---	---	---	3/	2	---	---	---	3/
Canned and frozen food.....	100	64	25	5	3	1	---	---	---	---	---	1	---	---	---	---
Grain mill products.....	100	57	29	3	3	1	2	---	2	1	1	1	---	---	---	1
Bakery products.....	100	63	27	5	2	1	1	---	---	---	---	1	---	---	---	---
Sugar.....	100	39	28	11	22	---	---	---	---	---	---	---	---	---	---	---
Other food products 2/.....	100	68	22	6	1	2	3/	---	---	---	3/	1	---	---	---	---
Vegetable and animal oils.....	100	64	22	4	4	2	---	---	---	---	---	2	---	---	---	---
Trade:																
Food products wholesalers.....	100	81	14	3	1	1	3/	---	---	---	---	3/	---	---	---	---
Grocery stores.....	100	94	5	1	3/	3/	3/	---	3/	---	---	3/	---	---	---	---
Food stores except grocery stores.....	100	97	3	3/	---	---	---	---	---	---	---	---	---	---	---	---
Eating and drinking places:	100	97	3	3/	3/	3/	3/	---	3/	---	---	3/	---	---	---	---
Assemblers of farm products.....	100	91	8	1	3/	3/	---	---	---	---	---	---	---	---	---	---

1/ Excludes transportation.

2/ Includes prepared meats and poultry dressing.

3/ Less than 0.5 percent.

Bureau of the Census.

The industries in which the companies included in this study owned at least one establishment are shown in table 13. The 1,000 detailed industry classifications have been grouped into 31 broad categories. A picture is given here of the kinds of industries into which companies diversify, but no attempt was made to explain why such diversification has taken place. Both processing and trade companies are included in those which own establishments in different industry groups.

Employment was used as a measure of the magnitude of diversification. Out of the total of 1,195 multi-industry companies, 213 had less than 50 percent of their employment in the same industry group (table 12). A substantial percentage of the multi-industry companies had less than 90 percent of their employment in the same industry as that in which the company was classified.

Ownership of Establishments

Of the 779,958 establishments engaged in the 13 industry groups described, 768,088 were owned by companies classified in the same industry; 11,870 were owned by companies classified in different industry groups (table 14). For example, of the 2,367 establishments engaged in meatpacking, 2,328 were owned by companies which were primarily engaged in meatpacking; however, 39 were owned by companies which were primarily engaged in a different industry. Six out of 122 possible industry group classifications were represented.

Information in table 15 indicates that these 6 were industries manufacturing dairy products, grain mill products, and miscellaneous food preparations not otherwise classified, and wholesale food stores, grocery stores and nonfood service trades. 5/

Value Added by Processing Industries

Table 16 shows value added by all manufacturing establishments in the 8 processing industries which were included in this study. Data on value added by establishments owned by companies classified in the same industry permitted calculation of value added in particular industries by establishments which were owned by companies not classified in the same industry. From 2 to 24 percent of the value added in particular industries came from establishments not owned by companies primarily engaged in the same industry.

Capital Expenditures of Processing Industries

Capital expenditures made by all manufacturing establishments in the various processing industries are shown in table 17. From capital expenditures of establishments owned by companies classified in the same industry, it can be

5/ In table 15 and in the discussion based on it, the 122 different industry groups have been combined into 31 different industry groups.

Table 12.--Number and percentage of multi-industry companies reporting percentage of employment in establishments in same industry, 1954

Industry group	Companies--																
	Having following percentage of employment in same industry --																
	Total	Less than: 10	10-19	20-29	30-39	40-49	50-59	60-69	70-79	80-89	90-99	Not Specified					
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
	1,195	1	11	20	55	126	220	215	198	204	143	2					
Food marketing 1/.....	37	---	---	---	---	4	4	5	6	11	7	---					
Processing:	152	---	2	4	12	21	19	25	29	27	12	1					
Meatpacking.....	66	---	1	2	2	3	12	16	9	13	12	---					
Dairy products.....	69	---	3	1	4	3	14	16	8	10	9	1					
Canned and frozen food....	67	---	2	---	3	7	10	13	9	12	11	---					
Grain mill products.....	11	---	---	---	---	1	1	1	3	4	1	---					
Bakery products.....	92	1	1	6	7	10	7	13	21	15	11	---					
Sugar.....	19	---	1	1	---	2	6	1	4	2	2	---					
Other food products 2/....																	
Vegetable and animal oils:																	
Trade:																	
Food products wholesalers:	160	---	1	4	6	20	25	31	36	28	9	---					
Grocery stores.....	219	---	---	1	9	18	44	32	32	44	39	---					
Food stores except grocery stores.....	62	---	---	---	1	11	19	14	8	5	4	---					
Eating and drinking places.....	174	---	---	---	9	13	43	36	22	27	24	---					
Assemblers of farm products.....	67	---	---	1	2	13	16	16	11	6	2	---					
Food marketing 1/.....	100	3/	1	2	5	10	18	18	16	17	12	3/					
Processing:	100	---	---	---	---	---	---	---	---	---	---	---					
Meatpacking.....	100	---	---	---	---	11	11	14	16	30	19	---					
Dairy products.....	100	---	1	3	8	14	12	16	19	18	8	1					
Canned and frozen food....	100	---	2	3	3	4	18	18	14	20	18	---					
Grain mill products.....	100	---	4	1	6	4	20	24	12	15	13	1					
Bakery products.....	100	---	3	---	5	11	15	19	13	18	16	---					
Sugar.....	100	---	---	---	---	9	9	9	27	37	9	---					
Other food products 2/....	100	1	1	6	8	11	8	14	23	16	12	---					
Vegetable and animal oils:	100	---	5	5	---	11	32	5	21	10	10	---					
Trade:																	
Food products wholesalers:	100	---	1	2	4	12	16	19	22	18	6	---					
Grocery stores.....	100	---	---	3/	4	8	20	15	15	20	18	---					
Food stores except grocery stores.....	100	---	---	---	2	18	31	22	13	8	6	---					
Eating and drinking places.....	100	---	---	---	5	7	25	21	12	16	14	---					
Assemblers of farm products.....	100	---	---	1	3	19	24	24	17	9	3	---					

1/ Excludes transportation.

2/ Includes prepared meats and poultry dressing.

3/ Less than 0.5 percent.

Bureau of the Census.

Table 13.--Total number of companies and number owning establishments in various industries, 1954

Industry group	Companies engaged in following industries --															
	Meat- packing:		Dairy products:		Canned and mill:		Grain products:		Sugar products:		Other food:		Vege- table:		Food stores:	
	Number	Establishments	Number	Establishments	Number	Establishments	Number	Establishments	Number	Establishments	Number	Establishments	Number	Establishments	Number	Establishments
Total companies.....	2,192	10,026	2,876	2,798	5,623	65	6,880	667	27,345	255,774	93,245	304,839	9,372			
Number of companies having at least one establishment in:																
Meatpacking.....	2,192	1	---	1	---	---	---	6	---	3	7	---	---	---	10	---
Dairy products.....	19	10,026	---	---	5	---	11	11	---	12	26	---	---	---	9	---
Canned and frozen food.....	1	5	2,876	1	3	---	17	---	---	16	9	---	---	---	1	---
Grain mill products.....	5	6	3	2,798	7	---	11	---	---	1	3	---	---	---	3	---
Bakery products.....	---	4	---	2	5,623	---	3	---	---	---	42	---	---	---	7	---
Sugar.....	---	---	---	---	---	65	---	---	---	1	---	---	---	---	---	---
Other food products.....	39	15	21	12	3	1	6,880	2	---	19	19	---	---	---	3	---
Vegetable and animal oils.....	12	2	---	10	---	---	5	667	---	---	---	---	---	---	---	---
Beverages.....	---	2	2	1	4	---	17	---	---	2	6	---	---	---	8	---
Mining.....	5	---	---	1	---	---	5	---	---	---	1	---	---	---	5	---
Tobacco manufacturing.....	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Textiles.....	3	---	---	2	1	1	1	2	---	1	---	---	---	---	---	---
Lumber and furniture.....	2	1	---	---	1	---	4	---	---	3	2	---	---	---	---	---
Pulp, paper and board.....	---	---	1	3	4	2	---	---	---	---	---	---	---	---	2	---
Printing.....	4	1	1	---	---	---	1	---	---	1	2	---	---	---	1	---
Chemicals, refining, and rubber.....	16	1	2	14	---	2	12	9	---	3	2	---	---	---	1	2
Leather and footwear.....	7	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Glass, cement and other nonminerals.....	1	---	1	1	---	---	---	---	---	---	---	---	---	---	---	---
Milling.....	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Fabricated metal products.....	---	3	6	1	---	---	3	---	---	---	---	---	---	---	---	---
Machinery, instruments and parts.....	2	2	4	1	2	---	2	1	---	1	---	---	---	---	1	---
Miscellaneous manufactures.....	2	---	---	2	---	---	2	---	---	1	---	---	---	---	---	---
Public warehouses.....	2	4	2	2	1	---	---	---	---	1	---	---	---	---	---	---
Food products wholesalers.....	13	37	11	4	9	1	18	1	---	6	---	---	---	---	---	---
Wholesale trade, not food.....	4	9	1	32	---	2	17	5	---	27,345	43	---	---	---	7	1
Assemblers of farm products.....	9	21	4	25	---	---	---	---	---	42	24	---	---	---	6	40
Grocery stores.....	2	4	3	1	---	1	5	---	---	12	255,774	11	---	---	13	9,372
Food stores except groceries.....	3	42	---	1	43	---	5	---	---	10	41	93,245	27	---	---	---
Eating and drinking places.....	1	37	1	1	3	---	4	---	---	5	31	18	304,839	2	---	---
Retail trade, not food.....	---	26	4	33	13	1	16	1	---	20	63	6	70	21	---	---
Service trade, not food.....	---	3	4	---	---	2	1	---	---	2	12	2	34	1	---	---
Other industries.....	5	5	3	5	1	6	4	3	---	6	11	---	5	---	---	---

1/ Includes prepared meats and poultry dressing. 2/ Does not add because of duplication.

Table 14.--Total number of establishments classified by industry,
and classification of companies owning them, 1954

Industry groups	Total establish- ments	Establishments owned by companies--			
		In same industry group	In different industry groups		
			Establish- ments	Different industry groups represented	<u>1/</u>
		<u>Number</u>	<u>Number</u>	<u>Number</u>	<u>Number</u>
Food marketing <u>2/</u>	779,958	768,088	11,870	---	
Processing:..					
Meatpacking.....	2,367	2,328	39	6	
Dairy products.....	11,503	11,173	330	24	
Canned and frozen food..	3,513	3,369	144	15	
Grain mill products.....	3,352	3,203	149	24	
Bakery products.....	6,414	6,225	189	11	
Sugar.....	137	136	1	1	
Other food products <u>3/</u> ..	8,214	7,671	543	42	
Vegetable and animal oils.....	1,013	832	181	19	
Trade:					
Food products whole- salers.....	29,795	29,269	526	34	
Grocery stores.....	279,440	278,040	1,400	47	
Food stores except grocery stores.....	101,940	98,135	3,805	38	
Eating and drinking places.....	319,015	316,309	2,706	54	
Assemblers of farm products.....	13,255	11,398	1,857	34	

1/ The greatest possible number of different industry groups was 122. See list of these industry groups at end of this report.

2/ Excludes transportation.

3/ Includes prepared meats and poultry dressing.

Bureau of the Census.

Table 15.--Number of establishments classified by industry and by companies owning the establishments, 1954

Industry group	Establishments engaged in--											
	Meat- packing products	Dairy products	Canned and frozen food	Grain mill products	Bakery products	Sugar products	Other food products	Vege- table and animal oils	Food products except grocery stores	Eating and drinking places	Assem- blers of farm products	
Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number	
Total establishments 2/.....	11,503	3,513	3,352	6,414	137	8,214	1,013	29,795	279,440	319,015	13,255	
Establishments owned by companies classified in:												
Meatpacking.....	2,328	125	1	6	---	164	43	25	3	2	247	
Dairy products.....	2	11,173	20	19	8	63	3	86	47	469	98	
Canned and frozen food.....	---	---	3,369	4	---	33	---	12	10	---	19	
Grain mill products.....	4	---	1	3,203	12	20	21	4	2	1	23	
Bakery products.....	---	6	4	16	6,225	5	---	10	---	1,038	34	
Sugar.....	---	---	---	---	---	5	---	2	10	---	---	
Other food products 1/.....	8	25	40	17	4	7,671	58	58	59	127	16	
Vegetable and animal oils.....	---	3	---	20	---	3	832	1	---	---	83	
Beverages.....	---	4	2	1	2	26	---	10	---	917	1	
Mining.....	---	1	---	---	---	1	---	1	37	---	2	
Tobacco manufacturing.....	---	---	---	---	---	---	---	---	---	---	5	
Textiles.....	---	---	2	3	1	---	1	2	13	6	3	
Lumber and furniture.....	---	---	---	---	---	2	---	---	3	3	1	
Pulp, paper, and board.....	---	---	2	---	---	2	1	---	4	---	---	
Printing.....	---	---	---	4	---	---	---	11	8	55	2	
Chemicals, refining & rubber.....	---	6	3	9	---	32	35	3	18	---	8	
Leather and footwear.....	---	---	---	---	1	---	1	---	---	2	1	
Glass, cement, and other nonminerals.....	---	---	---	1	---	1	3	---	---	---	---	
Milling.....	---	1	---	---	---	---	---	---	2	---	---	
Fabricated metal products.....	---	---	---	---	---	1	2	---	2	3	---	
Machinery, instruments, and parts.....	---	---	---	---	---	6	---	---	13	2	8	
Miscellaneous manufactures.....	---	---	---	---	---	---	---	1	2	---	4	
Public warehouses.....	---	---	---	---	---	1	---	---	---	---	---	
Food products wholesalers.....	3	17	35	2	---	26	---	29,269	50	33	44	
Wholesale trade, not food.....	---	5	3	11	---	6	3	23	39	15	299	
Assemblers of farm products.....	---	10	2	3	---	6	1	1	---	6	4	
Grocery stores.....	11	54	18	3	128	70	---	57	278,040	102	11,398	
Food stores except groceries.....	---	13	---	---	4	5	---	6	30	98,135	3	
Eating and drinking places.....	---	14	2	---	20	4	---	12	21	263	---	
Retail trade, not food.....	---	23	---	20	3	29	1	15	288	107	80	
Service trade, not food.....	1	1	---	---	---	1	---	8	11	57	---	
Company not specified 3/.....	10	20	9	10	6	31	8	178	278	600	151	
1/ Includes prepared meats and poultry dressing. 2/ Sales branches and offices are not included.												
3/ Includes unclassified single-industry establishments with less than 10 employees.												

1/ Includes prepared meats and poultry dressing. 2/ Sales branches and offices are not included.

3/ Includes unclassified single-industry establishments with less than 10 employees.

Bureau of the Census. For purposes of analysis the 122 different industry groups studied by the Bureau of the Census have been regrouped into 31 different industry groups.

Table 16.--Value added by all establishments in the industry, and by establishments owned by companies in the same and different industries, 1954 ^{1/}

Industry group	Value added by--			
	All	Establishments owned by companies --		
	establish- ments	In same	In different industry group	
	in industry	industry group	Value	Percentage of total for industry
	1,000 dollars	1,000 dollars	1,000 dollars	Percent
Processing:				
Meatpacking.....	1,394,486	1,368,759	25,727	2
Dairy products.....	2,256,736	2,129,378	127,358	6
Canned and frozen food.....	1,301,193	1,189,198	111,995	9
Grain mill products.....	1,217,054	1,068,887	148,167	12
Bakery products.....	1,977,187	1,831,621	145,566	7
Sugar.....	250,759	249,680	1,079	^{3/}
Other food products ^{2/}	2,169,151	1,781,448	387,703	18
Vegetable and animal oils.....	385,473	293,078	92,395	24

^{1/} See table 9, footnote 1.

^{2/} Includes prepared meats and poultry dressing.

^{3/} Less than 0.5 percent.

Bureau of the Census.

Table 17.--Capital expenditures by all establishments in the industry, and by establishments owned by companies in the same and different industries, 1954

Industry group ^{1/}	Capital expenditures of--			
	All	Establishments owned by companies --		
	establish- ments	In same	In different industry group	
	in industry	industry group	Value	Percentage of total for industry
	1,000 dollars	1,000 dollars	1,000 dollars	Percent
Processing:				
Meatpacking.....	64,976	63,550	1,426	2
Dairy products.....	163,120	156,521	6,599	4
Canned and frozen food.....	77,096	70,168	6,928	9
Grain mill products.....	65,346	59,697	5,649	9
Bakery products.....	89,629	83,622	6,007	7
Other food products ^{2/}	111,869	90,950	20,919	19
Vegetable and animal oils.....	41,441	28,773	12,668	31

^{1/} Information was not available for sugar processing.

^{2/} Includes prepared meats and poultry dressing.

Bureau of the Census.

observed that from 2 to 31 percent of the capital expenditures of establishments in the processing industries studied came from establishments owned by companies not classified in the same industry.

IMPORTANCE OF OWNERSHIP PATTERNS

In 1954, multiunit companies made up only 2 percent of all companies engaged in food marketing but they employed 43 percent of the persons engaged in food marketing and accounted for 52 percent of industry payroll. This gives an indication of the extent of concentration of employment. To the extent that companies engage in more than one activity, their potential for concentration of economic power increases. As is shown in table 2, with one exception, multi-industry companies represent less than 3 percent of the total number of companies in each of the processing industries, and less than 1 percent of the companies in the trade industries. Nevertheless, in total these companies account for 30 percent of total employment and 38 percent of total payrolls of all processing and trade companies.

IMPORTANCE OF DIVERSIFICATION

Diversification among food marketing companies has been examined from two principal viewpoints--the diversification of operations of companies primarily engaged in food marketing and the ownership of establishments engaged in food marketing by other kinds of companies. Each of these indicates that diversification is a significant characteristic of the marketing system for food.

In developing the first viewpoint, it was shown that companies in each major industry group such as meatpacking or dairy products processing, own establishments that produce some items other than those of the industry in which they are classified. In the meatpacking industry, for example, the total value added by the processing establishments of all companies in 1954 was \$1,677 million. However, slightly over \$300 million--or about 18 percent--of this total was accounted for by establishments primarily engaged in producing such diverse items as cheese, vegetable shortening, and frozen food products, as well as many others. In each of the other 7 industries examined, it was found that from 2 to 13 percent of the total value added arose from establishments in which production included items other than those in which the parent company was primarily engaged. Twenty-three companies reported that they were engaged in 10 or more industries.

Approximately similar conclusions are reached if comparisons are made on the basis of employment or of capital expenditures rather than value added. Referring to meatpacking companies again, it was found that 16 percent of total employment was in establishments primarily engaged in activities other than meatpacking, and 24 percent of total capital expenditures were for establishments for the production of commodities other than meat products. For the 8 processing industry groups for which employment data are available, the number of employees in establishments engaged primarily in activities other than

processing of the specified product ranged from 4 to 19 percent of total employment, and the average percentage was 10. For the 5 assembly and distributive industries studied, the percentage of employment in establishments engaged in other activities ranged from 1 to 4 percent, and the average was 3 percent. These percentages compared with an average of 18 percent for all manufacturing industries and 3 percent for all trade industries. Capital expenditures for the production of such products ranged from 2 to 18 percent of total expenditures for the 8 industries for which these data are available.

The ownership of establishments by companies outside the particular food marketing industry being considered is the second measure used in determining the extent of diversification. This measure shows, for each major industry group, how many establishments are owned by companies in the same industry and how many are owned by companies mainly engaged in other industry lines. For example, this measure shows that, of the total value added in the manufacture of vegetable and animal oils, 24 percent was added by companies not in that industry. All of the value added in the manufacture of sugar was added by companies in the sugar industry, but for the other 6 industries considered, the percentage of the total value added by companies not in these respective industries ranged from 2 to 18 percent. Thus, it is clear that diversification has developed to varying degrees among the industries considered, and that it is a significant aspect of food marketing.

No doubt a number of forces enter into the explanation of the extent of diversification. Some company managements may believe greater economic stability can be obtained through entry into processing and selling operations in addition to those in which the company is primarily engaged. Companies having a diversified product structure may, through the utilization of plant, equipment, and personnel, achieve greater marketing efficiency than companies having a nondiversified product structure. Availability of capital and retained earnings may have enabled some companies to enter into additional product lines through ownership or control of different kinds of establishments.

On the other hand, there appear to be forces that may limit the extent of diversification. Can diversification present additional problems with respect to knowledge of markets and marketing costs? Does diversification of product involve additional capital expenditures for plant and equipment which result in duplication within the marketing system?

Diversification also raises questions with respect to the importance of brand labeling and advertising by companies engaged in producing and selling more than one product. One of the questions is whether an established company name can attract buyers to new products processed or sold by the company.

Control over the market through integration of processing, wholesaling, and retailing operations has significance for farmers. Where this situation exists, management decisions of a relatively small group can affect a large number of buyers and sellers. Policies of a few companies having control over wide segments of the industry may have a greater influence on prices paid to farmers and prices charged to consumers than policies established by many

smaller buyers and sellers. A company which sells in more than one product market need not sell every item at a profit. Rather, it may classify its products into such categories as moneymaking items, convenience goods, and loss leaders, and may follow different policies in selling products of the different classes. Not only one product market is affected; many are affected.

Additional information is needed about diversification in food marketing industries. It is a development in the organization of marketing companies which, along with horizontal and vertical integration, may bring pronounced changes in both the efficiency with which marketing operations are performed and in the number of buyers in the markets in which farmers sell. Public research agencies need to be concerned with repercussions in both of these fields.

LIST OF 122 INDUSTRY GROUPS

Metal mining
Anthracite mining
Bituminous coal and lignite mining
Crude petroleum and natural gas extraction
Nonmetallic minerals (except fuels) mining
Meatpacking plants
Dairy products
Canned and frozen foods
Grain mill products
Bakery products
Sugar
Candy and related products
Bottled soft drinks
Beverages, except bottled soft drinks
Other food products
Tobacco manufactures
Woolen and worsted manufactures
Yarn and thread mills, broad-woven fabrics, and finishing textiles (except wool)
Knitting mills
Carpets and rugs
Other textile mill products
Men's and boys' clothing
Women's and children's clothing (except millinery and fur goods)
Millinery, fur goods, and miscellaneous apparel
Fabricated textiles, not elsewhere classified
Logging and lumber and basic products
Millwork and related products
Other wood products
Household furniture
Furniture and fixtures, except household furniture
Pulp, paper and board
Paperboard containers
Other pulp, paper and products
Newspapers
Periodicals
Books, miscellaneous publishing and greeting cards
Commercial printing and lithographing
Bookbinding and printing trade services
Inorganic and organic chemicals
Drugs and medicines
Soap and related products
Paints and allied products; gum and wood chemicals
Fertilizers
Vegetable and animal oils
Chemical products not elsewhere classified
Petroleum refining
Integrated petroleum extraction and refining

Other petroleum and coal products
Rubber products
Footwear (except rubber)
Leather and leather products except footwear
Glass products
Cement, hydraulic
Structural clay products
Concrete and plaster products
Other nonmetallic mineral products
Blast furnaces and steel mills
Iron and steel foundries
Nonferrous smelting, refining, rolling, and nonferrous foundries
Primary metal industries, not elsewhere classified
Cutlery, hand tools, and hardware
Heating and plumbing equipment
Structural metal products
Metal stamping and coating
Other fabricated metal products
Engines and turbines
Tractors and farm machinery
Construction and mining machinery
Metalworking machinery
Special-industry machinery, not elsewhere classified
General industrial machinery
Office and store machines
Service and household machines
Miscellaneous machinery parts
Electrical industrial apparatus
Communication equipment
Other electrical machinery, equipment and supplies
Motor vehicles and equipment
Aircraft
Aircraft parts
Ships and boats
Other transportation equipment
Scientific and mechanical measuring instruments
Optical, medical, and ophthalmic goods
Photographic equipment
Watches and clocks
Miscellaneous manufactures (including ordnance and accessories)
Public warehouses
Food products wholesalers
Drugs, chemicals, allied products wholesalers
Automotive wholesalers
Electrical, electronics, appliance distributors
Hardware, plumbing, heating goods wholesalers
Lumber, construction materials distributors
Machinery, equipment, supplies distributors
Miscellaneous merchant wholesalers
Petroleum bulk plants, terminals, and LP gas facilities

Merchandise agents, brokers
Assemblers of farm products
Grocery stores
Food stores except grocery stores
Eating, drinking places
General merchandise group, except variety stores
Variety stores
Shoe stores
Apparel, accessories stores except shoe stores
Furniture, home furnishings, appliance dealers
Automotive group and gasoline service stations
Lumber, building materials, hardware, farm equipment dealers
Drug stores, proprietary stores
Other retail stores
Nonstore retailers
Personal services
Advertising
Business services except accounting, auditing, bookkeeping, and advertising
Automobile repair services, garages
Miscellaneous repair services
Motion picture theaters
Motion picture production, distribution services
Amusement, recreation services except motion pictures
Hotels, motels, tourist courts, camps
Tin cans and other tinware
